

S.5 Clean Heat Standard

My name is Annette Smith. I am Executive Director of Vermonters for a Clean Environment. Thank you to the Chair and Vice Chair for inviting my testimony on S.5.

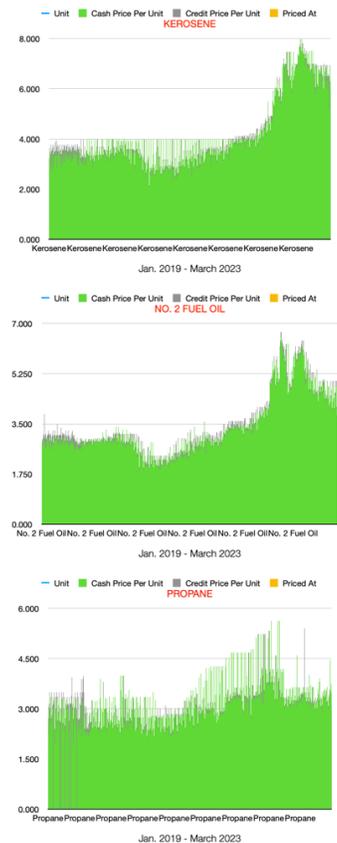
The Affordable Heat Act proposes to study and eventually establish a complicated system, the Clean Heat Standard, where different technologies and fuels would earn credits determined by the Public Utility Commission using a life cycle analysis model to compute the carbon intensity of each fuel and associated credit-eligible technologies.

The PUC's work would come back to the legislature in two years, after which the program may or may not go into effect later in 2025, depending on the results of the PUC's evaluation, and resolution of the various interpretations about what the "check back" language means.

This is not the kind of immediate, focused action on climate change that Vermonters are demanding. S.5's complicated credit market system is the exact opposite of the approach Vermont should be taking in response to the changing climate.

The PUC and associated Department of Public Service evaluation of the Clean Heat Standard is budgeted to cost \$1.75 million dollars. We have heard testimony that heat pumps cost \$5000 and up, weatherization costs \$10,000 and up, workforce training costs \$125,000 per skilled worker, and state and federal subsidies reduce the up front costs. How many homes could be weatherized, how many heat pumps could be installed, how many workers could be trained with that \$1.75 million dollars?

Much has changed since 2020 when the idea of a Clean Heat Standard was first invented by the Clean Heat Working Group comprised of the Regulatory Assistance Project, Vermont Gas Systems, Energy Action Network and Energy Futures Group.



Fuel Prices 1/19 – 3/23

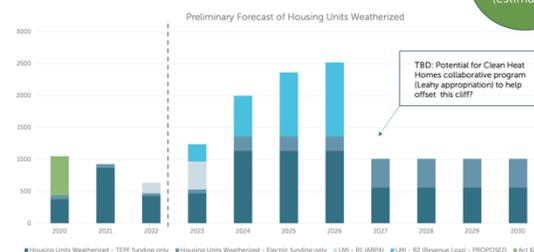
Since Feb. 2021 when Richard Cowart of RAP and Don Rendall of VGS first presented the Clean Heat Standard concept to the Senate Natural Resources and Energy Committee and the idea was inserted into the Climate Action Plan adopted on Dec. 1, 2021, many of its goals have been achieved (see images):

- The price of fossil fuels has risen, creating an incentive for customers to switch fuels – fuel dealers have testified this is happening
- Consumers are weatherizing homes.
- Consumers are adopting heat pumps
- The state of Vermont has an Office of Climate and is spending more than \$250 million on climate-related initiatives¹
- Federal tax credits in the Inflation Reduction Act further support consumer's choice to switch fuels
- The primary impediment to fuel switching is the lack of a skilled workforce

The circumstances have changed dramatically from when the Clean Heat Standard was first proposed. Now is the time to question whether Vermont needs to pursue this complicated policy idea.

The Clean Heat Standard is now being marketed to other states, including Mass-

Projected Results



Efficiency Vermont Weatherization

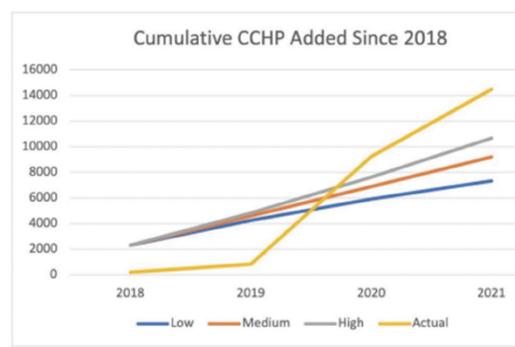


Figure 2-7. Cumulative Cold Climate Heat Pumps Added Since 2018

Source: [GMP's 2021 Integrated Resource Plan](#)



Wall Street Journal, Feb. 28, 2023.

¹ ANR Sec. Julie Moore Presentation 2/22/23

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Environment/Budget/Budget%20FY%202024%20Proposed%20Changes/W~Julie%20Moore~Presentation%20-%20FY%2024%20Governor's%20Recommended%20-%20Agency%20of%20Natural%20Resources~2-22-2023.pdf>

achusetts² and Maryland.³ Those larger states are better positioned to do the complex evaluations that S.5 would require of our PUC. Vermont's PUC already is doing more than most PUCs in the country, including telecom and renewable energy siting. Those issues are handled by local government in other states.

As with RGGI (Regional Greenhouse Gas Initiative)⁴ where a regional approach makes sense given the high cost of administering credit market programs, Vermont's participation in a Clean Heat Standard, if it is determined to be effective in reducing emissions, would best be on a regional level.

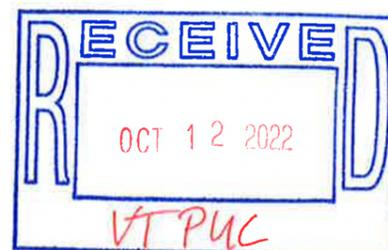
The proposed Clean Heat credit system has been compared to the Renewable Energy Credit market for electricity credits, but that is not an accurate analogy. Rep. Jim Masland and other Representatives pointed out the difference in a public comment filed in Oct. 2022 in the VGS/RNG contract case at the PUC:

Renewable energy attributes or RECs are a construct that enable value to be attached to renewable energy such that the RECs can be traded independent of energy itself. As originally incorporated in Vermont statute the legislature understood that trading RECs would stimulate the development of *new* renewable energy to the benefit of Vermonters. Or so we believe. What VNG is proposing will do nothing at all to stimulate new renewable energy. If the petition does anything it will encourage the development and transport of fracked fossil fuel gas through a misuse of the renewable energy trading market and increase the false belief that VNG is an environmentally responsible player in the quest to reduce green house emissions. Clearly legislative intent will have been turned on its head. We should all gasp at the audaciousness of VNG's proposal. Our Public Utility Commission should immediately turn it aside.

Representative Jim Masland
Thetford Center, VT



Representative Sara Coffee, Vernon
Representative Jim McCullough, Williston
Representative Peter Anthony, Barre City
Representative Becca White, Hartford
Representative Mike Yantachka, Charlotte ... and more to follow`



The Clean Heat Standard idea has also been compared to Efficiency Vermont, which was Scudder Parker's idea when he worked for the Department of Public Service. A better analogy is Electricity Deregulation (or Restructuring) which was

² <https://www.mass.gov/doc/appendices-to-the-clean-energy-and-climate-plan-for-2025-and-2030/download>, Appendix B

³ <https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/MWG/Clean%20Heat%20Standards.pdf>

⁴ https://www.rggi.org/sites/default/files/Uploads/Fact%20Sheets/RGGI_101_Factsheet.pdf

promoted throughout New England and the country in the 1990s. That policy was pitched by then-Public Service Board Chair Richard Cowart and was adopted by dozens of states, but despite intense pressure to deregulate the utility sector in Vermont, the Speaker of the House stopped it in 1999.

Earlier this year the New York Times published an article evaluating the policy and found that electric rates are higher in the states that deregulated the electric utility sector. Recently, the other, deregulated New England states have seen large increases in electric rates. Vermont has not.

Why Are Energy Prices So High? Some Experts Blame Deregulation.

California and the 34 other states that have deregulated all or parts of their electricity system tend to have higher rates than the rest of the country.

New York Times, Jan. 4, 2023

We can learn from the past, that not all ideas are good ideas.

Through testimony last year and this year, many issues with this idea have been identified and not answered. We have learned a lot, though:

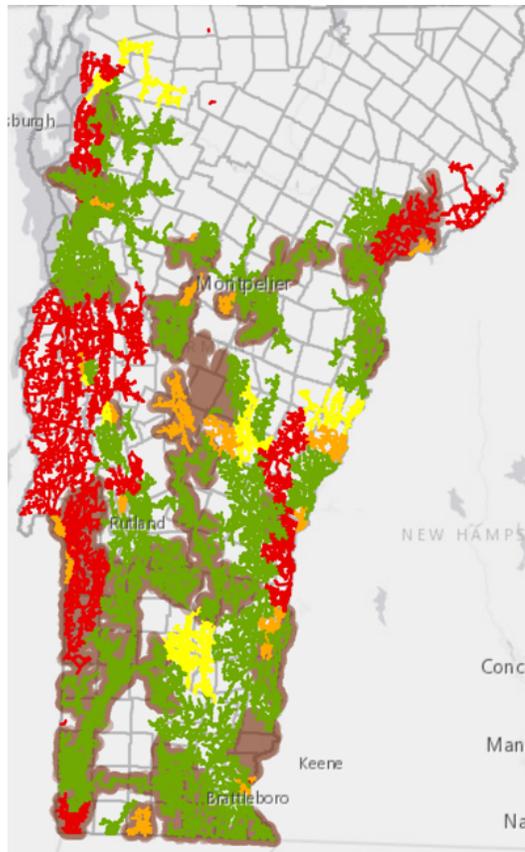
- There is no alternative to kerosene for mobile homes
- One propane tank and meter may serve uses other than heating, including fueling back-up electric generators and refrigerators
- There is no alternative to propane for many consumers. Propane dealers whose sole business is delivering and servicing propane customers will have no option other than to pay the price of the credit and raise the price to all customers. Big companies will survive, small businesses will likely fail.
- Typical Life Cycle Analyses for wood burning do not include CO₂ emissions.
- The Renewable Natural Gas language in S.5 enables the continued flow of fossil gas in Vermont through 2050.
- S.5's reliance on biofuels (primarily from Nebraska and Kansas) assures increasing land conversion and pressure on rural lands.
- Weatherization should come first. (S.5 does not require this).
- Heat pumps should only be put in homes after they have been weatherized.
- Many Vermont homes are not suitable for cost-effective heat pump installations.
- Weatherization, heat pumps and Advanced Wood Heating require large up-front costs for low- and moderate-income Vermonters. Those costs have not been addressed in S.5

- Some areas of Vermont's electric distribution grid are not able to handle the envisioned increase in electrification. (see GMP map)

It is unfortunate that the legislature's Global Warming Solutions Act put a mandate only on emissions reductions, and did not give equal value to resilience, biodiversity, and climate change adaptation. Those are the areas where this legislature should be devoting attention.⁵

If the Clean Heat Standard was a good idea for Vermont to evaluate at this time, Vermonters for a Clean Environment would be all in favor. As it is written, and given what is happening in Vermont now, we ask you to recognize, as House Speaker Obuchowski did when he ended the Electric Utility Deregulation legislation, that as proposed, this complicated policy is not in the best interests of Vermonters and is not the immediate, focused action Vermonters are asking you to take with the monies already appropriated and available.

Annette Smith
 Executive Director
 Vermonters for a Clean Environment
 (802) 446-2094
vce@vce.org



GMP's Solar 2.0 map⁶

⁵ <https://charleseisenstein.substack.com/p/how-the-environmental-movement-can>

There is “an emerging understanding among many environmentalists that we have made a scientific, strategic, rhetorical, and political error by reducing the ecological crisis to climate, and the climate crisis to carbon.”

⁶ <https://gmp.maps.arcgis.com/apps/webappviewer/index.html?id=4eae2b58c4c4820b24c408a95ee8956>